

H. Banking and Currency Committee file

Approved For Release 2004/05/05 : CIA-RDP69B00369R000100240088-3

THE EVENING STAR

A-3

Washington, D. C., Wednesday, March 1, 1967

CIA Backs Aid to Soviet Auto Stepup

By BERNARD GWERTZMAN
Star Staff Writer

The Central Intelligence Agency, in a report made public today, says that despite an increase in auto production, the Soviet Union still will be in the horse and buggy era by 1975.

Output of cars probably could increase from 200,000 yearly in 1966 to 1.1 million in 1975, the CIA says, but this would only give the Soviet Union "an automobile stock roughly equal to that of the United States in 1917, and on a per capita basis, about five percent of the current U.S. inventory."

The CIA's findings are included in a study issued by a House subcommittee that made an extensive investigation into Soviet auto production. The group endorsed President Johnson's decision to let the Export-Import Bank back the projected sale of \$50 million worth of U.S. machine tools to Italy for use in a Fiat auto plant that is being built in Russia.

The Subcommittee on International Trade of the Banking and

Currency Committee also disclosed that the State and Defense Departments both supported the sale of machine tools.

The committee report said Secretary of State Dean Rusk asserted that "it is the judgment of the Defense Department, shared by Gen. Earle G. Wheeler, chairman of the Joint Chiefs of Staff, that a loan that would induce the Soviet Union to devote greater resources to the production of consumer goods at the expense of applying those resources to military purposes is in our national interest."

The CIA report was completed last July and made available to the committee, headed by Rep. Thomas L. Ashley, D-Ohio. The committee made it public, stating that it agreed with "the accuracy of many of the conclusions and forecasts reached."

Ashley's committee studied the plans of Fiat to build an auto plant in the town of Togliatti in the Soviet Union that will produce about 600,000 cars a year. The Russians have agreed

to pay about \$800 million to Fiat for the plant.

Fiat hopes to import about \$50 million worth of U.S. machine tools for the plant, as well as additional millions of dollars worth of equipment of European machines made under U.S. license.

Johnson, in an Oct. 7 speech on Europe, indicated that the Export-Import Bank, a government bank, would finance the exports, but there have been some voices attacking the idea as providing "strategic materials" to Russia.

The Ashley committee found no indication that the equipment to be sold would be strategic. The group concluded, moreover, that the sale of machine tools might contribute "toward a shift of resources" into the consumer sector that "is fraught with pressure for still greater outlays to come."

The CIA report said, however, that although the Soviet decision to boost auto production brings the USSR a step nearer the automotive age, the plans "are not

so grandiose as to require a significant alteration in traditional Soviet economic priorities and would leave military and space programs unimpaired."

"Essentially, the new Soviet program is designed to produce automobiles for the bureaucratic and managerial elite, not for the average citizen," the CIA report said.

"It seems certain that, within the next decade at least, the Soviet leadership not only has no plans to mass produce automobiles in imitation of the West, but would strenuously resist internal pressure to do so."

"Although the USSR may some day join the circle of nations that provide automobiles for the average citizen, that day is not now in sight," it said.

Since Nikita S. Khrushchev's fall, the Russian leaders have talked of the need for more cars. In addition to the Fiat deal, the French Renault firm to modernize the "Moskvich" factory.